

Term Sheet

FOR DISCUSSION PURPOSES ONLY

PARTIES: Merchant Coterie, Inc. (“Buyer”) or its assignee
Bon Worth, Inc (“Seller”)

Outline of terms:

- Purchase offer:
 - Credit bid of: (i) \$100,000 pre-petition secured cash advance; (ii) \$150,000 post-petition secured cash advance; and (iii) value of post-petition inventory currently delivered, estimated at \$1.1M.
 - Buyer intends to continue making post-petition, approved cash advances up to the total amount of \$500,000.
 - Buyer intends to continue making post-petition, approved deliveries of inventory at an estimated value of \$3.8M.
 - Buyer reserves the right to increase the amount of its credit bid as its post-petition claim increases.
 - Assumption of Crossroads debt
- Purchased Assets
 - Buyer Agrees to purchase all Assets from the Seller except those expressly excluded. For the avoidance of doubt, the purchased assets shall include all inventory, intellectual property, A/R and cash or cash equivalents, only excluding the amounts specifically listed below.
- Excluded Assets
 - Buyer to leave \$25,000 cash for distribution to case claimants
- Excluded Liabilities: Buyer will exclude all Liabilities from the Seller except those expressly assumed.
- Assumed Liabilities:
 - Crossroads debt
 - Merchant Coterie debt
 - A list of leases and contracts to be provided following opportunity to negotiate cure payments
 - As a condition to closing Buyer will either, in the Buyer’s discretion, (i) assume the unpaid operating liabilities of the company, to the extent consistent with the approved budget or (ii) leave cash funds sufficient to resolve the unpaid operating liabilities of the company, to the extent consistent with the approved budget
 - As indicated in the Debtor’s approved budget, the Debtor should be accruing a reserve fund for professional fees. At closing of the sale, Buyer will advance funds to supplement the reserve fund, if necessary, such that the reserve fund reaches a total amount of \$100,000. This fund shall be solely for use for professional fees for ongoing work in the bankruptcy case. Any remaining funds existing at the close of the bankruptcy case shall be returned to Buyer.
- Financing:
 - None – Cash Offer.
 - Good Faith Deposit – 100% of Total Consideration
 - Closing: Within 10 days of Final Court Order Approving the Sale
 - Due Diligence or other contingencies: None
- Bankruptcy Court Approval
 - Buyer understands that the Purchase is subject to Bankruptcy Court Approval and is subject to approved bid procedures that will allow other qualified bidders to bid on the assets.

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